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SUBJECT: PAKISTANI OFFICIALS, ACTING AUSTR, AND U.S.
COMMERCE OFFICIAL DISCUSS ROZ, IPR, AND PRIVATIZATION

Classified By: ANNE W. PATTERSON, REASONS 1.4 (B), (D)

¶1. (C) Summary: On August 13, Acting Assistant U.S. Trade Representative (USTR) Claudio Lilienfeld and Department of Commerce South Asia and Oceania Director Linda Droker met with Pakistani officials in the Ministries of Commerce and Health, the Privatization Commission, and the Intellectual Property Organization. At the Ministry of Commerce, discussion centered around Reconstruction Opportunity Zone (ROZ) legislation. Health Secretary Khushnood Akhtar Lashari told USG officials that draft intellectual property rights (IPR) legislation was currently being reviewed by relevant GOP ministries and would soon be forwarded to local industry for comments, but he predicted that domestic pharmaceutical producers would continue to oppose this legislation. He said there was still no agreement on the definition of "new chemical entity" and the duration of pharmaceutical patents, but the United States and Pakistan agreed to hold a digital video conference soon to discuss this issue. The Privatization Commission noted that privatization efforts in FY07-08 had stalled but painted a better picture for privatization in FY08-09. The Intellectual Property Organization (IPO) claimed to have made significant headway in convincing Pakistanis of the value of IPR protection and expressed frustration over Pakistan remaining on the Special 301 priority watch list despite customs and law enforcement actions against IPR violators. IPO pledged to work with the USG in drafting data protection legislation. End Summary.

¶2. (SBU) At the Ministry of Commerce, discussion focused primarily on Reconstruction Opportunity Zone (ROZ) legislation. Joint Secretary of Commerce Jamshed Khan inquired about how Reconstruction Opportunity Zones would be designated. Acting AUSTR Lilienfeld noted that Pakistani initiative would be one way to garner greater Congressional support for ROZ legislation, and in this regard, he suggested the GOP develop a proposal outlining potential ROZ areas and pass it to the USG by the end of August. Lilienfeld said that, once the USG received this initial GOP proposal, we would together review the list and decide which areas would make the final cut. He also noted U.S. desire for greater interaction vis--vis our Trade and Investment Framework Agreement and stressed that intellectual property protections and a Bilateral Investment Treaty would help encourage greater U.S. investment in Pakistan.

¶3. (C) Health Secretary Khushnood Akhtar Lashari reported that draft IPR protection legislation was currently being reviewed by relevant GOP ministries and would soon be forwarded to local industry for comment. He predicted that domestic pharmaceutical producers would reject this legislation on the grounds that data protection was already

covered under the Data Secrecy Act. Lashari confirmed there continued to be disagreement over the definition of a "new chemical entity" and the duration of pharmaceutical patents. Lashari and Acting AUSTR Lilienfeld agreed to hold a digital video conference on these issue in the near future.

¶4. (SBU) At the Privatization Commission, Secretary Ahmad Jawad told U.S. officials that Pakistan's privatization efforts stalled in FY07-08, in part due to exogenous factors in world markets, such as the U.S. sub-prime mortgage crisis and rising world fuel costs. Plans to privatize a number of state-owned banks had been put on hold in FY07-08, and even this year, he said, there are sectors that are conspicuously absent from the FY08-09 project list, energy being one of them. Still, Jawad described the list of FY08-09 projects - so far 16 valued at USD 800 million - as "robust". Among the projects on tap in the near future are privatization of a fertilizer plant, an electrical complex that produces power transformers, the Small and Medium Size Enterprises Bank, and the National Power Construction Fund.

¶5. (C) Intellectual Property Organization (IPO) Director General (DG) Yasin Tahir reviewed steps the IPO had taken to improve IPR protections. Claiming to have "won the battle of mindset," Tahir credited IPO with convincing both local industry and Pakistani citizens that IPR protection was in Pakistan's best interest. He expressed frustration that Pakistan remained on the Special 301 priority watch list, despite customs and law enforcement moves to shut down copyright infringers and IPR violators. As examples of the GOP's willingness to tackle the issue, he pointed to a May

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2008 raid of six optical disk manufacturers and noted there had been more than 3,000 raids since May 2005. DG Tahir pledged to work with USG agencies on draft data protection legislation, but he was unable to provide a concrete timeline for the approval of such legislation. Acting AUSTR Lilienfeld thanked the GOP for its actions to date and reiterated U.S. desires to continue to cooperate on remaining Special 301 issues of concern.
PATTERSON